

**General Information****What is the purpose of this form?**

Use this form only if you are a fiscal-year filer with an income tax obligation. If you are a calendar year filer, use Form IL-2220, (revision date 12/10). This form allows taxpayers who have payments due subject to the tax rate increase law changes to calculate their penalties based on the new law.

Do not use this form if you are subject to replacement tax only (Form IL-1065 or IL-1120-ST filers). Use Form IL-2220 (revision date 12/10), even if you are fiscal-year filer.

This form allows you to calculate penalties you may owe if you did not

- make timely estimated payments,
- pay the tax you owe by the original due date, or
- file a processable return by the extended due date.

**Note** Form IL-2220, Computation of Penalties for Businesses, may only be used with original returns or revised returns filed before the extended due date. If you are filing an amended return for any reason, you **cannot** use Form IL-2220 to calculate your penalties.

**Do I need to complete this form if I owe penalties?**

No, you do not need to complete this form if you owe penalties. We encourage you to let us figure your penalties and send you a bill instead of completing and filing this form yourself. If you let us figure your penalties, complete your return as usual and do not attach Form IL-2220.

**Note** You must complete this form if you are using the annualized income installment method for late-payment penalty for underpayment of estimated tax in Step 6.

For more information, see Publication 103, Penalties and Interest for Illinois Taxes. To receive a copy of this publication,

- visit our web site at [tax.illinois.gov](http://tax.illinois.gov);
- call our 24-hour Forms Order Line at **1 800 356-6302**; or
- call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

**What is late-payment penalty?**

Late-payment penalty is a penalty assessed for failure to pay the tax you owe by the due date. This penalty could result from two different underpayment situations and is assessed at either 2 percent or 10 percent of the unpaid liability based on the number of days the payments are late. The penalty rates used on this form are for returns due **on or after January 1, 2005**. For returns due before January 1, 2005, see Publication 103.

You will be assessed **late-payment penalty for unpaid tax** if you do not pay the total tax you owe by the original due date of the return.

**An extension of time to file does not extend the amount of time you have to make your payment.**

You will be assessed a **late-payment penalty for underpayment of estimated tax** if you were required to make estimated tax payments and failed to do so, or failed to pay the required amount by the payment due date.

You **do not** owe the late-payment penalty for underpayment of estimated taxes if

- you are not filing Form IL-1120;
- you were not required to file Form IL-1120 for last year; or
- your current year's net tax liability (Form IL-1120, Step 8, Line 52) is \$400 or less.

**What is late-filing or nonfiling penalty?**

**Late-filing or nonfiling penalty** is a penalty assessed for failure to file a processable return by the extended due date. The penalty is the lesser of \$250 or 2 percent of the tax amount required to be shown due on your return, reduced by any payments made by the original due date and any credits allowed on your return.

An additional penalty will be assessed if you do not file a processable return within 30 days of the date we notify you that we are not able to process your return. This additional penalty is equal to the greater of \$250 or 2 percent of the tax shown due on your return, determined **without** regard to payments and credits, and may be assessed up to a maximum of \$5,000. For more information, see Publication 103, Penalties and Interest for Illinois Taxes.

**What if I underpaid my estimated tax because of a change in the law during the tax year?**

If a change in the IITA enacted during the tax year increased your liability, and the new statute does not specifically provide for relief from penalties, you may reduce or eliminate your penalty for underpayment of estimated tax by using the annualized income installment method in Step 6 and computing your income and liability for each period according to the IITA in effect as of the end of that period. See Specific Instructions for Step 6.

**Specific Instructions****Step 1: Provide the following information**

**Lines 1 through 4** — Follow the instructions on the form.

**Step 2: Figure your required installments (Form IL-1120 filers only)**

**Line 5** — Write in Column A the total net income and replacement tax written on your 2010 Form IL-1120, Step 8, Line 52. Write in Column B the total net income and replacement tax written on your 2009 Form IL-1120, Step 8, Line 54.

If the preceding year's return was for a short tax year, or you reported zero total net tax, write "N/A" in Column B.

**Note** For Columns A and B, if a revised return was filed for either year on or before the automatic extension date, the corrected tax should be used. If an amended return was filed after the automatic extension date for either year, use the most current tax reported **prior** to the extension date.

**Line 6** — Follow the instructions on the form.

**Line 7** — If Column A, Line 5 is \$400 or less, write "0" and go to Step 3. Otherwise, multiply Column A, Line 6 by 25% (.25) and multiply Column B, Line 5 by 37.5% (.375).

**Line 8** — Multiply Column A, Line 6 and Column B, Line 5 by 25% (.25).

**Line 9** — In each Column, write the date the installment was due.

**Line 10** — Write the amount of your required installment for each due date shown.

- For installment due dates after January 31, 2011, and prior to February 1, 2012, write the lesser of Column A or Column B, Line 7.
- For all due dates before February 1, 2011, or after January 31, 2012, write the lesser of column A or Column B, Line 8. For all taxpayers, if you are annualizing your income, you must complete Step 6 and write the required installments from Line 48.

**Note** **Annualized income installment method:** If your income was **not** received evenly throughout the year, you may be able to lower or eliminate the amount of your required installments by using the annualized income installment method in Step 6.

If you choose to annualize your income in Step 6, you must use this method for all installments. When completing the worksheet, select the lesser of the annualized income installment or the regular installment to arrive at the amount of each required installment.

**Line 11** — Write the amount of credit carried forward from the prior year in Quarter 1. If you received an Illinois Schedule K-1-P or K-1-T showing pass-through entity payments made on your behalf, write the entire amount in the quarter in which the pass-through entity's tax year ended.

For example, if your tax year ended on March 31, 2011, and your Schedule K-1-P shows a tax year ending of June 30, 2010, you would put the pass-through entity payment amount in Quarter 1.

**Line 12 — Quarters 1 through 4** — Subtract Line 11 from Line 10 and write that amount here. If this amount is negative, use brackets. If Line 11 is blank or zero, write the amount from Line 10.

**Lines 13 and 14** — Complete Lines 13 and 14 of each quarter before proceeding to the next quarter. Follow the instructions on the form.

### Step 3: Figure your unpaid tax

**Line 15** — Write your total net income and replacement tax from:

- Form IL-1120, Step 8, Line 52;
- Form IL-1041, Step 7, Line 49;
- Form IL-1023-C, Step 4, Line 15; or
- Form IL-990-T, Step 6, Line 26.

**Lines 16a and 16b** — Follow the instructions on the form.

**Line 16** — Write the greater of 16a or 16b.

**Line 17a** — Write the amount and the date of your Form IL-505-B payment, made **on or before** your original due date.

**Line 17b** — Write the amount and the date of any other payment you made **on or before** your original due date.

**Lines 17 and 18** — Follow the instructions on the form.

**Line 19** — Subtract Line 18 from Line 15. If the amount is

- **positive**, write the amount here. You owe a late-payment penalty for unpaid tax. Continue to Step 4 and write this amount in Penalty Worksheet 1, Column C.
- **zero or negative**, write the amount here and, if negative, use brackets. You do not owe a late-payment penalty for unpaid tax. Continue to Step 4, skip Penalty Worksheet 1, and go to the Penalty Worksheet 2.

**Note** If this amount is negative, you may apply this overpayment if you have an underpayment when figuring your Penalty Worksheet 2. See the instructions for Penalty Worksheet 2, Column D.

### Step 4: Figure your late-payment penalty

Use Penalty Worksheet 1 to figure your late-payment penalty for unpaid tax.

Use Penalty Worksheet 2 to figure your late-payment penalty for underpayment of estimated tax.

**Note** You **must** follow the instructions in order to properly complete the penalty worksheets.

#### Penalty Worksheet 1 — Late-payment penalty for unpaid tax

**Line 20** — Write the amount and the date of any payments you made after your original due date. List the payments in date order. If you need to list more than four, write them next to Lines 20c and 20d.

**Line 21** — Follow the instructions on the form.

**Column B** — Write the original due date of your return.

**Column C** — Write the amount from Line 19.

**Column D** — Apply the payment from Line 20 with the earliest date.

Continue applying payments in date order until the unpaid amount in Column C has been satisfied (Column E is zero or a negative figure).

If you have no more payments to apply and Column C remains unpaid, write "0" in Column D and complete Columns E through I.

**Note** See the example on Page 4.

**Column E** — Subtract the payment in Column D from the unpaid amount in Column C.

If this amount is

- **positive**, complete Columns F through I. Write this positive (unpaid) amount on the next line in Column C. Continue applying payments in date order until the unpaid amount in Column C has been satisfied (Column E is a negative figure, zero, or you wrote "0" in Column D).
- **zero or negative**, you have paid your tax. Write the amount here and, if negative, use brackets. Complete columns F through I.

**Note** If this amount is negative, you may apply this overpayment if you have an underpayment when figuring your Penalty Worksheet 2. See the instructions for Penalty Worksheet 2, Column D.

If you wrote "0" in Column D, write the amount from Column C here, and complete Columns F through I.

**Column F** — Write the date the payment in Column D was made. If Column D is "0," do not write a date and skip to Column H.

**Column G** — Figure the number of days from the date in Column B to the date in Column F and write that number here. This is the number of days the payment was late.

**Column H** — Write the penalty rate that applies to the number of days you wrote in Column G. See the penalty rates listed at the top of Page 2 of the form, below the note.

If Column D is "0," write 10 percent (.10).

**Column I** — Figure this amount using the **payment portion** in either Column C or Column D.

If Column D is "0" or if Column E is "0" or a negative figure, multiply Column C by Column H and write the amount here. Otherwise, multiply Column D by Column H and write the amount here.

**Line 22** — Add Column I. This is your **late-payment penalty for unpaid tax**. Write the amount here and on Line 29.

#### Penalty Worksheet 2 — Late-payment penalty for underpayment of estimated tax

If the amount on Line 14 is a positive number (greater than zero) for any quarter, you may owe a **late payment penalty for underpayment of estimated tax**. Use this worksheet to figure the penalty for any unpaid quarter.

**Note** If you paid the required amount from Line 14 by the due date on Line 9 for each quarter, do not complete Penalty Worksheet 2.

**Line 23** — Write the amount and the date of each estimated tax payment you made during the year. List the payments in date order. **Do not include** any payments already written on Lines 17 or 20.

**Note** If you did not complete Penalty Worksheet 1, write any payment made after your due date on Line 23. Apply this payment to any amount in Column C that is unpaid after applying any overpayment from Line 19.

**Line 24** — Follow the instructions on the form.

**Column C** — Write the underpaid amount from Line 14 on the first line of the appropriate quarter. Do not write any overpaid amounts in this column.

**Column D** — Apply to the first unpaid quarter, the estimated tax payment (from Line 23) with the earliest payment date.

Continue applying estimated tax payments in date order until all unpaid amounts in Column C have been satisfied (Column E is zero or a negative figure for all unpaid quarters) or you have no more estimated tax payments to apply.

**Note** See the example on Page 4.

If you have applied all of your estimated tax payments and Column C remains unpaid for any quarter, you may apply

- any overpayment from Line 19, or
- any overpayment from Penalty Worksheet 1, Column E.

If you have applied all of your payments and overpayments and you still have an unpaid amount in Column C, write "0" here.

### Complete Columns E through I

**Column E** — Subtract the payment in Column D from the unpaid amount in Column C.

If this amount is

- **positive**, complete Columns F through I. Write this positive (unpaid) amount on the next line in Column C. Continue applying payments in date order until Column E is an overpayment, zero, or you have written "0" in Column D.
- **zero or negative**, you have paid this quarter. Write the amount here and, if negative, use brackets. Complete Columns F through I. Apply any negative (overpayment) amount in Column E to the next underpaid quarter as a positive figure in Column D.

If you wrote "0" in Column D, write the amount from Column C here, and complete Columns F through I.

**Column F** — Write the date of the estimated income tax payment you applied in Column D as shown on Line 23. If

- you are applying an overpayment from Line 19, write the date that corresponds to that payment, shown on either Line 17a or 17b.
- you are applying an overpayment from Penalty Worksheet 1, Column E, write the date that corresponds to that payment, shown on either Line 20a or 20b.
- Column D is "0," do not write a date in Column F and skip to Column H.

**Column G** — Figure the number of days from the date in Column B to the date in Column F and write that number here. This is the number of days the payment was late.

**Column H** — Write the penalty rate that applies to the number of days you wrote in Column G. See the penalty rates listed at the top of Page 2 of the form, below the note.

If Column D is "0," write 10 percent (.10).

**Column I** — Figure this amount using the **payment portion** in either Column C or Column D.

If Column D is "0" or if Column E is "0" or an "overpayment," multiply **Column C** by Column H. Otherwise, multiply **Column D** by Column H and write the amount here.

**Line 25** — Add Column I, Quarters 1 through 4. This is your **late-payment penalty for underpayment of estimated tax**. Write the total amount here and on Form IL-1120, Step 8, Line 53.

### Step 5: Figure your late-filing penalty and your total penalties

Complete Lines 26 through 28 to figure your late-filing penalty **only** if

- you are filing your return after your extended due date; and
- your tax was not paid by the original due date.

Otherwise, you do not owe a late-filing penalty.

**Line 26** — Write the amount of tax due from your annual return. Your tax due is tax minus any payments made on or before the original due date and credits.

**Lines 27 and 28** — Follow the instructions on the form.

**Line 29** — Write your late-payment penalty for unpaid tax from Line 22.

**Line 30** — If your annual tax return shows that you have an

- overpayment (before any amount to be carried to the next year's estimated payments), write that amount as a negative number.
- balance due, write that amount as a positive number.

#### Form -

IL-1120

IL-1041

IL-990-T

IL-1023-C

#### Overpayment Line -

Step 8, Line 57

Step 7, Line 52

Step 6, Line 29

Step 4, Line 18

#### Tax Due Line-

Step 8, Line 60

Step 7, Line 55

Step 6, Line 32

Step 4, Line 21

**Line 31** — Add Lines 28, 29, and 30. This is your total tax and penalty amounts. This amount may not match the overpayment and may reduce any available amount to be credited to the next tax year, or the total amount due on your original tax return.

If Line 31 shows a balance due and you wish to pay your calculated penalty amounts, pay the amount shown here. Otherwise, we will send you a bill.

### Step 6: Complete the annualization worksheet for Step 2, Line 10

You should complete this worksheet if your income was **not** received evenly throughout the year, and you choose to annualize your income. If you complete this worksheet, check the box on Form IL-1120, Step 1, Line V, and attach this form to your return. Beginning with Column A, complete Lines 32 through 48 of each column.

**Note** You must complete all lines of Columns A through D in order to use this worksheet.

If the IITA was amended during your tax year and changed how you compute your net income or tax, and the amendment does not provide relief for taxpayers who computed their estimated tax obligations following the old law, use the old law to compute your net income and tax for each period ending before the date the amendment became law.

For example, if you are a fiscal year filer, your income tax rate for income earned before January 1, 2011, is 4.8%, and for income earned after December 31, 2010, is 7% (see Public Act 96-1496). For installments due before February 14, 2011, you should compute your tax due by multiplying annualized income on Line 38 by 4.8%, the rate that was in effect under the law, as it existed prior to Public Act 96-1496, and enter that amount on Line 39.

**Line 32** — In Columns B through D, calculate and write the **net** income that would have been shown on Form IL-1120, Step 5, Line 39, if you had completed a 2010 Form IL-1120 for the first three months, the first six months, and the first nine months of the tax year.

**Note** Net income from Form IL-1120, Step 5, Line 39, is base income after apportionment and Illinois net loss deduction.

**Line 34** — Follow the instructions on the form.

**Line 35** — In Columns A through D, calculate and write the **net** income that would have been shown on Form IL-1120, Step 5, Line 39, if you had completed a 2010 Form IL-1120 for the first three months, the first five months, the first eight months, and the first eleven months of the tax year.

**Lines 37 and 38** — Follow the instructions on the form.

**Line 39** — Using the net income on Line 38, calculate and write in each column the total net income and replacement tax that would have been shown on Form IL-1120, Step 8, Line 52, if you had completed a 2010 Form IL-1120 for each period.

**Note** Your total net income and replacement tax from Form IL-1120, Step 8, Line 52 is tax after recapture and all appropriate credits. (Refer to Form IL-1120, Steps 6 and 7.)

Use the appropriate income tax rate, based on the due date of the installment. See the above example for more information.

**Lines 41 through 43** — Follow the instructions on the form.

**Line 44** — Write the amount you would have entered in the corresponding column of Step 2, Line 10, if you were not annualizing your income.

**Lines 45 through 48** — Follow the instructions on the form.



# Example

ABC Corporation's total Illinois income and replacement tax is \$1,875, as shown on its 2010 Form IL-1120, Step 8, Line 52. The 2009 tax was \$2,600. The corporation filed Form IL-1120 on September 1, 2011, and paid \$300 with the return.

The corporation made the following estimated payments:

|       |         |       |          |
|-------|---------|-------|----------|
| \$100 | 4-15-10 | \$750 | 9-15-10  |
| \$200 | 6-15-10 | \$250 | 12-20-10 |

## Step 3: Figure your unpaid tax

- 15 Write your total net income and replacement tax. See instructions. 15 1875
- 16 a Write the amount of your credit carryforward from the prior year and your total estimated tax payments made this year. 16a 1300
- b Form IL-1120 filers only: Write the amount from Line 7, or, if you annualized, the total of Line 10. All other filers, write zero. 16b 1688
- Write the **greater** of Line 16a or Line 16b here. 16 1688
- 17 Write other payments made **on or before** your original due date.
- a Write the amount and the date of your Form IL-505-B. 17a 0
- b Write the amount and the date of any other payment. 17b 0
- Add Lines 17a and 17b. 17 0
- 18 Add Lines 16 and 17. 18 1688
- 19 Subtract Line 18 from Line 15. If this amount is
- positive**, write that amount here. Continue to Step 4 and write this amount in Penalty Worksheet 1, Line 21, Column C.
- zero or negative**, write that amount here and, if negative, use brackets. Continue to Step 4, skip Penalty Worksheet 1, and go to Penalty Worksheet 2. You may apply this overpayment to any underpayment when figuring your Penalty Worksheet 2. See instructions. 19 187

## Step 4: Figure your late-payment penalty

Use Penalty Worksheet 1 to figure your late-payment penalty for unpaid tax.

Use Penalty Worksheet 2 to figure your late-payment penalty for underpayment of estimated tax.

**Note** You must follow the instructions in order to properly complete the penalty worksheets.

### Penalty rates

| Number of days late | Penalty rate |
|---------------------|--------------|
| 1 - 30              | .02          |
| 31 or more          | .10          |

## Penalty Worksheet 1 — Late-payment penalty for unpaid tax

- 20 Write the amount and the date of any payment you made **after** your original due date. See instructions.

| Amount       | Date paid         |
|--------------|-------------------|
| a <u>300</u> | <u>09/01/2011</u> |
| b <u>0</u>   | <u>09/01/2011</u> |

- 21 Write the amount from Line 19 on the first line of Column C below.

| A      | B                 | C             | D               | E                             | F                 | G                | H                        | I            |
|--------|-------------------|---------------|-----------------|-------------------------------|-------------------|------------------|--------------------------|--------------|
| Period | Due date          | Unpaid amount | Payment applied | Balance due (Col. C - Col. D) | Payment date      | No. of days late | Penalty rate (see above) | Penalty      |
| Return | <u>03/15/2011</u> | <u>187</u>    | <u>300</u>      | <u>(113)</u>                  | <u>09/01/2011</u> | <u>170</u>       | <u>.10</u>               | <u>18.70</u> |
|        |                   |               |                 |                               |                   |                  |                          |              |
|        |                   |               |                 |                               |                   |                  |                          |              |

- 22 Add Column I. This is your **late-payment penalty for unpaid tax**.

Write the total amount here and on Line 29.

22 18.70

**Note** You may apply any remaining overpayment in Column E above to any underpayment when figuring Penalty Worksheet 2.

## Penalty Worksheet 2 — Late-payment penalty for underpayment of estimated tax

**Note** If you paid the required amount from Line 14 by the payment due date on Line 9 for each quarter, do not complete this worksheet.

- 23 Write the amount and the date of each estimated income tax payment you made. See instructions.

### Estimated income tax payments

| Amount       | Date paid         | Amount       | Date paid         | Amount     | Date paid         |
|--------------|-------------------|--------------|-------------------|------------|-------------------|
| a <u>100</u> | <u>04/15/2010</u> | c <u>750</u> | <u>09/15/2010</u> | e <u>0</u> | <u>04/15/2010</u> |
| b <u>200</u> | <u>06/15/2010</u> | d <u>250</u> | <u>12/20/2010</u> | f <u>0</u> | <u>06/15/2010</u> |

- 24 Write the unpaid amounts from Line 14, Quarters 1 through 4, on the first line of the appropriate quarters in Column C below.

| A      | B                 | C             | D               | E                             | F                 | G                | H                        | I            |
|--------|-------------------|---------------|-----------------|-------------------------------|-------------------|------------------|--------------------------|--------------|
| Period | Due date          | Unpaid amount | Payment applied | Balance due (Col. C - Col. D) | Payment date      | No. of days late | Penalty rate (see above) | Penalty      |
| Qtr. 1 | <u>04/15/2010</u> | <u>422</u>    | <u>100</u>      | <u>322</u>                    | <u>04/15/2010</u> | <u>0</u>         |                          |              |
|        |                   | <u>322</u>    | <u>200</u>      | <u>122</u>                    | <u>06/15/2010</u> | <u>61</u>        | <u>.10</u>               | <u>20.00</u> |
|        |                   | <u>122</u>    | <u>750</u>      | <u>(628)</u>                  | <u>09/15/2010</u> | <u>153</u>       | <u>.10</u>               | <u>12.20</u> |
| Qtr. 2 | <u>06/15/2010</u> | <u>422</u>    | <u>628</u>      | <u>(206)</u>                  | <u>09/15/2010</u> | <u>92</u>        | <u>.10</u>               | <u>42.20</u> |
| Qtr. 3 | <u>09/15/2010</u> | <u>422</u>    | <u>206</u>      | <u>216</u>                    | <u>09/15/2010</u> | <u>0</u>         |                          |              |
|        |                   | <u>216</u>    | <u>250</u>      | <u>(34)</u>                   | <u>12/20/2010</u> | <u>96</u>        | <u>.10</u>               | <u>21.60</u> |
| Qtr. 4 | <u>12/15/2010</u> | <u>422</u>    | <u>34</u>       | <u>388</u>                    | <u>12/20/2010</u> | <u>5</u>         | <u>.02</u>               | <u>.68</u>   |
|        |                   | <u>388</u>    | <u>113</u>      | <u>275</u>                    | <u>09/01/2011</u> | <u>260</u>       | <u>.10</u>               | <u>11.30</u> |
|        |                   | <u>275</u>    | <u>0</u>        | <u>275</u>                    |                   |                  | <u>.10</u>               | <u>27.50</u> |

- 25 Add Column I, Quarters 1 through 4. This is your **late-payment penalty for underpayment of estimated tax**.

Write the total amount here and on Form IL-1120, Line 53.

25 135.48

## Calculations

←  $(187 \times .10 = 18.70)$

←  $(200 \times .10 = 20.00)$

←  $(122 \times .10 = 12.20)$

←  $(422 \times .10 = 42.20)$

←  $(216 \times .10 = 21.60)$

←  $(34 \times .02 = .68)$

←  $(113 \times .10 = 11.30)$

←  $(275 \times .10 = 27.50)$

